STRENGTHENING THE SAFETY NET

A FINANCIAL ANALYSIS OF NEW HAMPSHIRE'S COMMUNITY HEALTH CENTERS

Ammonoosuc Community Health Services

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AHRQ User Liaison Program

Ammonoosuc Community Health Services, Inc.
Financial Analysis 1994-1999

Summary

Ammonoosuc Community Health Services, Inc. had consistent losses on operations during the period analyzed. Cash flows were typical of many of the CHCs, as the primary source of cash was short-term debt. Ammonoosuc’s liquidity and solvency has deteriorated with consistent losses, as both the current ratio and debt service coverage ratio are below 1.

Cash Flows

The primary source of cash for Ammonoosuc Community Health Services, Inc. was increases in accounts payable and accrued expenses (40.5%). Depreciation generated 27.2% of cash. 37.1% of cash used was for property, plant and equipment (PP&E) purchases, although the average age of plant doubled (from 3.4 to 7.3 years) during the period analyzed. In addition, 32.5% of cash was used to finance an increase in accounts receivable, while operating losses consumed 20.0% of the cash.

Profitability

Ammonoosuc had consistently negative operating and total margins, with the exception of 1994, when both margins were 9%. Net patient service revenue has never exceeded 36% of total expenses, and was at 27% in 1999. While grants and contracts as a percent of total operating expenses has fallen since 1993, it still exceeds the revenue from net patient service revenue (NPSR) (59% in 1999). Charity care was near 20% of gross patient service revenue (GPSR) for the period 1996-1999.

Liquidity

Liquidity has steadily worsened over the period analyzed. Both the current ratio and days cash on hand are in the lowest quartile of the CHCs in1999, at 0.85 and 2.1, respectively. Both of these ratios have fallen steadily since 1993, and consistently lie among the lowest quartile of all CHCs analyzed. The average pay period has increased steadily since 1993 as well. It currently takes the organization an average of 50.7 days to pay accounts payable and accrued expenses.

Solvency

Although Ammonoosuc did not issue debt between the years 1994-1998, the long-term debt to equity ratio rose steadily as net assets decreased. In 1999, after a small amount of debt was issued ($12,419), Ammonoosuc’s long-term debt to equity ratio was 4.2, and its equity-financing ratio fell to 11%. Ammonoosuc is not able to service its long-term debt, as the debt service coverage ratio was below 1 in 1998 and 1999, and cash flow to total debt dropped to 1%.

Source: Audited Financial Statements. Prepared by Jennifer Scott, Paul Giaudrone, and Hyun Ryu under the supervision of Nancy Kane, DBA, Harvard School of Public Health.